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'Scam,' Says Rewald Company Trustee

By Charles Memminger
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The government rested its case against Ronald Rewald yesterday after eight weeks of trial in which 132 witnesses were called and thousands of pages of documents were admitted into evidence.

But the main point of the government's case was summed up in one word by its final witness, Thomas Hayes, administrator of Rewald's bankrupt company.

Assistant U.S. Attorney John Peyton asked Hayes what was the business of Bishop, Baldwin, Rewald, Dillingham & Wong.

"Scam," Hayes replied.

It was Hayes who first called Rewald's operation a scam and a Ponzi scheme. On Aug. 4, 1983, five days after Rewald attempted suicide, Hayes walked the few blocks from federal court to the Grosvenor Center and took control of the company.

Hayes, who looks somewhat like Norman Mailer, said the door to Bishop, Baldwin was locked when he arrived. But he said he got in through a back door when Rewald's office manager, Sue Wilson, opened it.

ONLY MOMENTS before, angry creditors had forced Rewald's company into bankruptcy and Hayes had been named interim trustee. As trustee, it was his job to secure all company assets, freeze all bank accounts and keep files from disappearing.

In Bishop, Baldwin's case, some files already had been taken out of the office by the time he took over. Hayes testified yesterday in Rewald's fraud, perjury and tax evasion trial. And after Wilson realized Hayes was taking over the company, she attempted to walk out with a stack of mail, he said.

Hayes said he trailed her to the elevator and even rode to the ground floor with her, explaining his court-appointed duties. She rode back up with him, handed over the mail and then "threw the mail key at me," Hayes said. "That was the last time I've seen Sue Wilson."

WILSON WAS ONE of Rewald's closest office workers, signing many of the checks that went out and managing the office. At one point, she was being paid \$57,000 a year, more than Sunlin Wong, company president.

Hayes said he found no accounting books for the company. Within hours of walking into the office, he told his attorneys, James Wagner and Don Gelber, "This looks like a scam," Hayes testified.

It also didn't take long to realize that much of the company money, which Hayes said was investors' money, was spent on Rewald's personal possessions. Some 30 hours after the bankruptcy declaration, Hayes was back in court to get an order stopping Rewald from transferring any of his personal assets.

Eventually, U.S. Judge Martin Pence froze all of Rewald's assets, leaving the one-time multimillionaire indigent.

HAYES SAID he then began a "long and arduous task" of tracking Bishop, Baldwin's financial activities and searching for any hidden assets. There were a number of rumors and leads, all of which turned out to be false, Hayes said.

Rewald's attorney, Robert Smith, first told Hayes that most of the investors would turn out to be fictitious.

Hayes said he found out that all of the investors were real.

Hayes said he then was told that there were secret assets overseas invested by the CIA. Rewald was let out of prison, where he was being held on \$10 million bail on state theft charges, to go to the trustee's office to show him where the hidden assets were. But none were found, Hayes said.

Hayes then checked out rumors that CIA money was funneled into certain accounts — including those of former CIA field office chief Jack Kindichi and retired Air Force Gen. Arnold Bravelli — through Chase Manhattan Bank. But Hayes said he found that the money put into those accounts came from family members or through explainable sources.

HAYES SAID he did not check out rumors that Rewald was involved in a military arms deal with Taiwan, despite seeing telexes between Rewald and two consultants concerning the alleged deal. The government contends such a deal never went through. Rewald claims the arms deal would have generated some \$10 million in commissions to pay off investors.

The only real assets of Bishop, Baldwin were the office furniture and a few businesses that were money-lovers, Hayes said. Although \$22 million had moved through Rewald's bank accounts during Bishop, Baldwin's heyday, at the time Hayes took over the main bank account was overdrawn, he said.

Hayes said he has filed a claim against the CIA but does not expect to collect any money from the agency. Other investors also have sued the CIA in an attempt to regain their lost money.

REWALD CLAIMS the CIA set up and ran his company and is responsible for the investors' money. He claims he lived a lavish lifestyle for the CIA in order to mingle with highly placed foreigners.

The CIA denies that but does admit it used Rewald for "light cover" for a few of its agents. It claims it gave Rewald only \$2,900 for telephone and telex expenses.

Rewald's attorneys will be attempting, when they begin putting on their case today, to show that the CIA has minimized its involvement with Rewald. Federal Public Defender Michael Levine, his deputy Brian Tamanaha and associate counsel Wayne Parsons, will put on fewer than 30 witnesses.

Among them, however, will be former CIA Honolulu field office chief Jack Rardin and former CIA agent Charles Richardson.

Rardin took over the field office from Kindichi and was the last CIA official Rewald had contact with. Rewald allowed the CIA to use his company, CMI Corp., as a cover for Richardson, who operated out of the West Coast.